MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015/2016

DMG5038 – MANAGEMENT ACCOUNTING

(For Diploma Students Only)

13 OCTOBER 2015
2.30PM – 4.30PM
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 6 pages with 4 Questions only.
2. Answer **ALL** questions. All questions carry equal marks.
3. Please write your answers in the Answer Booklet provided.

QUESTION 1

PART A

Mr. Lim operates a bed and breakfast hotel in Pulau Perhentian. He employs a reception personnel at an annual salary of RM30,000 and a housekeeping person at an annual salary of RM25,000. Below are the other costs incurred:

Depreciation on the hotel	RM70,000 per year
Building tax	RM10,000 per year.
Room price (including breakfast)	RM78 per person per night
Laundry and cleaning service	RM25 per person per night
Cost of food	RM8 per person per night.

Required:

a) Determine the break-even point in rental and break-even point in sales revenue that Mr. Lim needs to earn by using the contribution margin technique. Round up all your answers to the nearest two decimals. (10 marks)

b) If the current level of rental is 3,500, by what percentage can rentals decrease before Mr. Lim has to worry about having a net loss? (2 marks)

PART B

Determine the missing amounts:

	Unit Selling Price	Unit Variable Costs	Contribution Margin Per Unit	Contribution Margin Ratio
1.	RM450	RM180	**A**	**B**
2.	**C**	**D**	RM300	30%

(5 marks)

Continued.....

PART C

Star Light Corporation accumulated the following data on the machine usage for the last six months using power cost and factory machine hours as the activity level.

Month	Power Cost	Factory Machine Hours
January	RM24,500	15,000
February	RM45,000	23,500
March	RM25,900	16,990
April	RM29,540	19,500
May	RM21,500	14,600
June	RM15,000	4,750

Required:

a) Determine the estimated variable portion of power costs per factory machine hour. (2 marks)

b) Determine the fixed power cost each month. (4 marks)

c) If it is estimated that 10,000 factory machine hours will be run in July, what is the expected total power cost for July? (2 marks)

[TOTAL 25 MARKS]

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QUESTION 2

PART A

Croissant Ltd. makes 50,000 units per year of a part it uses in the products it manufactures. The unit product cost of this part is computed as follows:

Direct materials	RM19.00
Direct labor	21.70
Variable manufacturing overhead	2.10
Fixed manufacturing overhead	14.20
Unit product cost	RM57.00

An outside supplier, Danone Sdn Bhd has offered to sell the company all of these parts it needs for RM50.00 a unit. If Croissant Ltd. accepts this offer, the facilities now being used to make the part could be used to make more units of another product that is in high demand. The additional contribution margin on this other product would be RM140,000 per year.

If the part were purchased from Danone Sdn Bhd, all of the direct material and direct labor cost of the part would be avoided. However, RM9.20 of the fixed manufacturing overhead cost being applied to the part would continue even if the part were purchased from the outside supplier. This fixed manufacturing overhead cost would be applied to the Croissant remaining products.

Required:

a) How much of the unit product cost of RM57.00 is relevant in the decision of whether to make or buy the part? (3 Marks)

b) Should Croissant Ltd. purchase the parts from Danone Sdn Bhd? Support your calculations. (13 Marks)

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PART B

Basilic Sdn Bhd produces milk at a total cost of RM66,000. The production generates 60,000 gallons of milk which can be sold for RM1 per gallon to a pasteurization company, or the milk can be processed further into ice cream and then sold for RM3 per gallon. It costs RM75,000 more to turn the annual milk supply into ice cream.

Required:

a) If Basilic processes the milk into ice cream, how much is the incremental profit or loss? (5 Marks)

b) Should Basilic process the milk into ice cream or sell it as is? (1 Mark)

c) What are the important costs used in incremental analysis? (3 Marks)

[TOTAL 25 MARKS]

QUESTION 3

PART A

A budget is an aid to management; it is not a substitute for management. A budget cannot operate or enforce itself. Companies can realize the benefits of budgeting only when managers carefully administer budgets. List any **FIVE (5)** benefits of budgeting.

(5 marks)

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PART B

Radiusite Co. is preparing its annual budgets for the year ending 31 December 2014. Accounting assistants of the company provide the data shown below.

Sales budget:	
Anticipated volume in units	200,000
Unit selling price	RM 50
Production budget:	
Desired ending finished goods in units	10,000
Beginning finished goods in units	25,000
Direct materials budget:	
Direct materials per kilogram	2
Desired ending direct materials in kilograms	20,000
Beginning direct materials in kilograms	30,000
Cost per kilogram	RM 8
Direct labor budget:	
Direct labor time per unit	1
Direct labor rate per hour	RM 10

Required:

Based on above information, prepare the following budgets for the year 2014.

(a) Sales budget (3 marks)

(b) Production budget (5 marks)

(c) Direct materials budget (7 marks)

(d) Direct labor budget (5 marks)

[TOTAL 25 MARKS]

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QUESTION 4

Executive Tailor manufactures business suits. The company uses a standard cost accounting system. In June 2015, 11,500 suits were made. The following data refers to direct material and direct labour costs incurred by the company during the said month. All materials purchased were used in production.

Cost element	Standard (per unit)	Actual
Direct material	5 yards at RM 6.50 per yard	RM 392,000 for 56,000 yards
Direct labour	1 hour at RM 11.50 per hour	RM 123,200 for 11,200 hours

Required:

a) Compute the following variances for direct material; total material variance, material price variance and material quantity variance. (9 marks)

b) Compute the following variances for direct labour; total labour variance, labour price variance and labour quantity variance. (9 marks)

c) Explain **TWO** reasons, each, for material price variance and material quantity variance. (4 marks)

d) Based on the report produced by Executive Tailor's purchasing department, material price variance is cause by huge rush orders of materials placed during the month. Suggest **THREE** ways by which situation can be avoided. (3 marks)

[TOTAL 25 MARKS]

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